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More Than 900 Defendants Charged with Disaster-Related Fraud by Hurricane Katrina Fraud Task Force During Three Years in Operation

Emergency Disaster Assistance Fraud Penalty Enhancement Act of 2007 Statute Being Used to Charge Defendants

WASHINGTON - The Hurricane Katrina Fraud Task Force has brought federal charges against 907 individuals in 43 federal judicial districts across the country since Hurricane Katrina made landfall in southern Louisiana in August 2005, Acting Assistant Attorney General Matthew Friedrich of the Criminal Division announced today. The Task Force, chaired by Friedrich, reported the charges as part of its accomplishments during its third year of operation in 2007-2008.

In September 2005, in the immediate aftermath of Hurricane Katrina, the Department of Justice established the Hurricane Katrina Fraud Task Force. The Task Force is charged with deterring, detecting and prosecuting individuals who try to take advantage of the disasters related to Hurricanes Katrina, Rita, Wilma, Gustav and Ike, as well as other natural disasters. The Task Force tracks referrals of potential cases and complaints, coordinates with law enforcement agencies to initiate investigations and works with the appropriate U.S. Attorneys' Offices to ensure timely and effective prosecution of disaster-related fraud cases. By using the investigative assets of federal law enforcement agencies, federal inspectors general and state and local law enforcement, together with the prosecutorial resources of the 93 U.S. Attorneys' Offices, the Task Force can act quickly and aggressively to bring to justice those who would

further harm the victims of these natural disasters.

“Whenever a natural disaster strikes, there will always be unscrupulous people willing to take advantage of victim assistance and rebuilding efforts,” said Matthew Friedrich, Acting Assistant Attorney General for the Criminal Division and chair of the Task Force. “Those who would try to profit from the misfortunes of disaster victims should know that the Department of Justice, federal investigative agencies and inspectors general will continue their aggressive pursuit of disaster fraud.”

Notable accomplishments for the Task Force in the past year include the following:

- ***Joint Command Center*** . To date, the Command Center has received and screened more than 26,000 complaints relating to disaster fraud and referred more than 17,000 of those complaints to law enforcement for investigation. In addition, in 2008 the Command Center disaster fraud hotline was made available to receive complaints about possible fraud relating to the California wildfires, the Iowa floods, and most recently Hurricanes Gustav and Ike.
- ***Prosecutions*** . Throughout the past year, U.S. Attorneys’ Offices across the country have prosecuted numerous hurricane-related cases that involved a wide range of crimes including emergency-benefit fraud, identity theft, procurement fraud and public corruption. The ability to prosecute disaster-related fraud cases was enhanced when the Emergency Disaster Assistance Fraud Penalty Enhancement Act of 2007 was enacted into law in January 2008. Examples of fraud cases include:
 - ***Contract Fraud/Corruption*** . On May 15, 2008, a federal grand jury in the Eastern District of Louisiana indicted a former contract employee for the U.S. Army Corps of Engineers and a dirt, sand and gravel subcontractor in connection with a \$16 million hurricane protection project for the reconstruction of the Lake Cataouatche Levee, located south of New Orleans. Both defendants were charged with one count of conspiring to commit bribery; one defendant was charged with two counts of offering a bribe to a public official; and the other defendant was charged with one count of demanding and agreeing to accept a bribe as a public official.
 - ***Investment Fraud*** . On Feb. 8, 2008, a federal grand jury in the Southern District of Texas indicted a man on two counts of wire fraud relating to his alleged operation of a fraudulent investment scheme. Beginning in 2006, the defendant allegedly falsely told investors he was using their money to purchase and refurbish Federal Emergency Management Agency (FEMA) trailers, but failed to ever purchase the trailers and failed to return the investors’ money.
 - ***Charity Fraud*** . On Nov. 28, 2007, the U.S. District Court for the Southern District of Texas sentenced two brothers to 111 months and 105 months in prison, respectively, for their roles in fraudulently operating a Web site that purported to raise money on behalf of the Salvation Army for Hurricane Katrina victims. The defendants registered <http://www.>

salvationarmyonline.org on Sept. 3, 2005, less than a week after Hurricane Katrina struck New Orleans. The Web site stated that it was “The Salvation Army International Home Page” and falsely purported to solicit charitable donations for Hurricane Katrina, and later Hurricane Rita, relief. A link on the Web site directed contributors to donate via PayPal, a service that allows for online money transfers. The defendants created numerous accounts with the service and registered those accounts using the names and identification information, including Social Security numbers, of other individuals not involved in the fraudulent scheme. The accounts, however, were linked by the brothers to bank accounts belonging to one or both of them. The fraudulent Web site collected more than \$48,000 before all the accounts were frozen.

- ***Charity Fraud*** . On Sept. 24, 2008, the U.S. District Court for the Eastern District of Louisiana sentenced a defendant to 17 months in prison for mail fraud in connection with Katrina disaster-relief funds granted to the Pilgrim Missionary Baptist Church, the church where he ministered. The congregation’s building was devastated by flood water from Hurricane Katrina; but the church did not have flood insurance so the congregation applied for a Small Business Administration (SBA) loan and a grant from the Bush-Clinton Katrina Fund to offset the cost of rebuilding. The church was awarded a \$252,000 disaster loan from the SBA and a \$35,000 grant from the Bush-Clinton Katrina Fund. According to court documents, the defendant created a scheme to defraud the church of the \$35,000 Bush-Clinton grant for his own personal benefit by having the fund’s check mailed to his house and then deposited into a bank account that he established and controlled. The defendant created a similar scheme to defraud the church of the SBA loan money by having the SBA wire the initial \$10,000 disbursement of the disaster loan into the same bank account. He spent at least \$10,000 of the relief money on a new Dodge Durango for himself.
- ***Embezzlement*** . On June 6, 2008, a federal grand jury in the Middle District of Alabama indicted a former FEMA manager for embezzlement of a trailer intended for victims of Hurricanes Katrina and Rita, embezzlement of a government vehicle and obstruction of justice. The indictment alleges that the defendant, while the manager of the FEMA emergency housing unit in Selma, Ala., which FEMA used for the storage, transportation and delivery of travel trailers in the aftermath of Hurricanes Katrina and Rita, embezzled a 39-foot Cherokee Travel Trailer and his government vehicle, to which he had access by virtue of his management position with FEMA. It also charges him with attempting to corruptly influence the ongoing investigation against him in the Middle District of Alabama.
- ***Individual Assistance Fraud*** . On Sept. 30, 2008, the U.S. District Court for the Southern District of Texas unsealed an indictment charging a defendant with mail fraud, aggravated identity theft and disaster assistance fraud for her role in submitting multiple false applications for emergency benefits to FEMA. The new statute under which the defendant is charged was enacted in January 2008 as part of the Emergency Disaster Assistance Fraud Penalty Enhancement Act of 2007. According to the indictment, the defendant submitted multiple false claims to FEMA for assistance relating to Hurricanes Katrina and Rita in 2005 and Hurricane Ike in 2008. It also alleges that the defendant not only used slight variations of her name and Social Security numbers belonging to others, but assisted her husband and two

relatives in filing multiple false FEMA claims using Social Security numbers belonging to others.

- ***Individual Assistance Fraud*** . On June 9, 2008, the U.S. District Court for the Southern District of Texas sentenced eight defendants for their roles in a FEMA fraud conspiracy involving more than 70 applications for Katrina and Rita benefits on behalf of residents in area apartment complexes who were not victims of the hurricanes. The leader of the group was sentenced to 33 months in prison and ordered to pay \$92,958 in restitution and forfeit the Lincoln Navigator she purchased with the fraudulent funds.
- ***Individual Assistance Fraud*** . On Jan.10, 2008, the U.S. District Court for the Middle District of Alabama sentenced a defendant to 43 years in prison – the longest sentence to date handed down in a Katrina- or Rita-related fraud case. At trial, the jury found the defendant guilty of 22 counts involving the filing of false claims for Hurricane Katrina disaster assistance, theft of funds intended for victims of Hurricane Katrina, threatening a witness from another Hurricane Katrina case, conspiracy, drug distribution, weapons charges and making false statements to federal authorities. The defendant's sentence comprised 34 years of statutory mandatory minimum sentences for the threatening of a witness, for the drug and gun charges and for the aggravated identity theft. The additional nine years related to the defendant's theft, conspiracy to defraud FEMA and drug distribution charges. As related to the Katrina fraud, the sentencing judge additionally found that while the defendant was successful in stealing \$80,000 from FEMA, her intent was to steal more than \$500,000 in FEMA funds.

The Task Force includes the Criminal, Civil and Antitrust Divisions of the Department of Justice, U.S. Attorneys' Offices, the FBI, the Postal Inspection Service, the U.S. Secret Service, the Federal Trade Commission, the Securities and Exchange Commission, federal inspectors general, and various representatives of state and local law enforcement.

The Hurricane Katrina Fraud Task Force continues to combat fraud relating to Hurricanes Katrina, Rita, Wilma, Gustav and Ike, as well as their aftermath. To date, the Command Center has received nearly 667 calls regarding potential Hurricane Gustav-related fraud and nearly 466 calls regarding potential Hurricane Ike-related fraud. Members of the public can report fraud, waste, abuse or allegations of mismanagement involving disaster relief operations through the Disaster Fraud Hotline at 866-720-5721, the Disaster Fraud Fax at 225-334-4707 or the Disaster Fraud e-mail at disaster@leo.gov. Individuals can also report criminal activity to the FBI at 1-800-CALL-FBI or www.fbi.gov.